City of Garden Grove

INVESTMENT POLICY

2020 - REVISED

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CITY OF GARDEN GROVE INVESTMENT POLICY

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CITY OF GARDEN GROVE

INVESTMENT POLICY

MISSION STATEMENT

It is the policy of the City of Garden Grove to invest public funds in a manner that will provide in priority order, maximum security, adequate liquidity and sufficient yield, while meeting the daily cash flow demands of the City and conforming to California Government Code Section 53600, et seq., and related statutes and regulations governing the investment of public funds.

1. PURPOSE

This statement is intended to provide guidelines for prudent investment of the City of Garden Grove’s temporary inactive cash and outline the policies for maximizing the efficiency of the City’s cash management system.

The City’s ultimate investment goal is to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the short and long-term cash flow demands, and conforming to all state statutes governing the investment of public funds.

2. SCOPE

The Policy shall direct the investment of the City's temporarily inactive cash for all funds in the investment portfolio. These funds are accounted for in the City of Garden Grove Comprehensive Annual Financial Report under the following fund types:

- Governmental Funds
- Proprietary Funds
- Fiduciary Funds

The Policy shall also direct all investments related to the Garden Grove Housing Authority, the Garden Grove Sanitary District, and the Garden Grove Public Financing Authority. The Policy will not direct the investment of funds held for employees in deferred compensation plans. Additionally, the Policy will not direct the investment of bond proceeds, which are specifically governed by the individual bond documents and trust indentures.

3. PRUDENCE

The standard of prudence to be used by the investment official shall be the “prudent investor standard” as set forth in California Government Code Section 53600.3 and shall be applied in the context of managing the overall portfolio.

The City's Finance Director will be responsible for maintaining and updating investment policies and procedures. The intent of the procedures will be to ensure that the investment objectives and safeguards stated in this Policy are effectively communicated to all officials involved in the investment of public funds and that they properly reflect the intent of the "Prudent Investor" rule. The procedures will be maintained on file with the City Treasurer and the Finance Director.

4. OBJECTIVES

The City's funds shall be invested in accordance with all applicable City policies and codes, State statutes, and Federal regulations, and in a manner designed to accomplish the following objectives.

Section 53600.5 of the California Government Code defines the investment objectives of the investment of public funds and that the primary objective of a trustee is the safety of the principal of funds under its control. The secondary objective is to meet the liquidity needs of the depositor. The third objective is to achieve a return on the funds under its control.

A. Safety

The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The City shall select only those investments that are considered very safe. The City shall not engage in speculation. The City shall diversify its investments by investing funds among a variety of securities and financial institutions offering independent returns.

B. Liquidity

Liquidity is the ability to change an investment into its cash equivalent on short notice at its prevailing market value. The funds in the City's portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio will maintain a liquidity buffer and invest primarily in securities with active secondary and resale markets.

C. Yield

Yield is the potential dollar earnings that an investment can provide; it is also referred to as the rate of return. The City's portfolio shall be designed to attain a return on investments through economic cycles, taking into account investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives.

5. DELEGATION OF AUTHORITY

In accordance with the State of California Government Code section 53607, the City Council has delegated, by resolution No. 9525-18, the authority to invest with the City Finance Director. Such delegation is to be reviewed annually and may be renewed by the city council. ~~.~~

Within the constraints set forth in the Policy, the Finance Director has the authority to direct investment strategy and approve investment transactions for the City's investment portfolio. The Finance Director is responsible for the following:

- Approving daily investment transactions.
- Developing projections of the City's cash requirements for operating needs.
- Reviewing the liquidity position of the investment portfolio.
- Ensuring that the City's cash position is consistent with operating requirements.
- Preparing appropriate investment reports.
- Developing, implementing and monitoring controls over investments.
- Record keeping for investment transactions.

The City may engage the services of external investment management advisors to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such advisors may be granted discretion to purchase and sell investment securities in accordance with the Policy. Such advisors must be registered with the Security and Exchange Commission, and possess experience in public funds investment management. All broker/dealers selected by an external advisor must comply with the requirements of California Government Code Section 53601.5. All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the investment management advisor with the following: audited financial statements, proof of Financial Industry Regulatory Authority (FINRA) registration, proof of State of California registration, and certification of having read the City's investment policy.

6. ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall comply with the disclosure and disqualification requirements required by state law and any applicable regulations, including those adopted by the Fair Political Practices Commission, or FPPC. In addition, the FPPC's Statement of Economic Interests (Form 700) shall be completed annually and submitted to the City Clerk for all individuals involved in the investment of public funds.

7. ALLOWABLE INVESTMENTS

Allowable investments for the City are listed in the matrix provided herein as Attachment 1. The list is intended to ensure that the investment portfolio is properly diversified so that no single category of investment is over weighted or poses a disproportionate credit risk to the City. It should be noted that any newly developed derivative of an allowable investment that is not specifically mentioned in the Policy must be recommended by the Finance Director for inclusion in the Policy. Any amendments to the list of allowable investments must be submitted to the City Council for review and approval.

Any prior investment currently held by the City that does not meet the guidelines of this policy shall be exempt from the requirements of the Policy. At maturity or liquidation, such funds shall be reinvested as provided by the Policy.

Should an investment's percentage exceed the Policy limitation due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Finance Director shall direct the investment advisor to consider reconstructing the portfolio within the Policy established percentage limits.

A thorough investigation of the investment pool/fund is required prior to investing public funds in any local agency investment pool or mutual fund. The investment of any public funds must comply with the rules set forth in the California Government Code Section 53601.

Investment of bond proceeds held by fiscal agents will be made in accordance with California Government Code Section 53601 (m), which states that money from bond proceeds should be invested as specified by bond documents. In most cases, these investments will be made under the same guidelines as other City investments.

8. INVESTMENT POOLS / MUTUAL FUNDS

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. The investigation will, at a minimum, obtain the following:

a) A description of eligible investment securities, and a written statement of investment policy and objectives.
b) A description of interest calculations and how it is distributed, and how gains and losses are treated.
c) A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
d) A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
e) A schedule for receiving statements and portfolio listings.

f) A description of how the pool/fund maintain reserves, retained earnings, etc. or is all income after expenses distributed to participants.
g) A fee schedule, and when and how is it assessed.
h) The eligibility of the pool/fund to invest in bond proceeds and a description of its practices.

~~8~~9. DELIVERY

All security transactions entered into by the City shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of the funds. Securities will be held by a third-party custodian designated by the Finance Director and evidenced by safekeeping receipts and monthly reports.

~~9~~10. SAFEKEEPING AND CUSTODY

To protect against fraud, embezzlement, or losses caused by insolvency of individual securities dealers, all securities owned by the City shall be held in safekeeping by the City's custodial bank, a third party bank trust account, acting as agent for the City under the terms of a custody agreement. Securities held in custody for the City shall be independently audited on an annual basis to verify investment holdings.

Except for federally insured Certificates of Deposit, money market funds or the Local Agency Investment Fund (LAIF), all investments evidenced by physical or book-entry securities shall be secured through third-party custody and the following safekeeping procedures:

- All transactions described above shall be executed on a delivery versus payment basis.
- The custodian shall hold assets until the investments mature or the custodial bank receives a request from the City to sell or transfer the securities.
- Bearer instruments shall be held only through third party institutions.

~~10~~11. COLLATERALIZATION

- Certificates of Deposit - The City shall require any commercial bank or savings and loan association to deposit eligible securities with an agency of a depository approved by the State Banking Department to secure any uninsured portion of a non-negotiable Certificate of Deposit. The value of eligible securities as defined pursuant to Government Code Section 53651, pledged against a Certificate of Deposit shall be equal to 150% of the face value of the CD if the securities are classified as mortgages and 110% of the face value of the CD for all other classes of security.

- Repurchase Agreements - The City requires that repurchase agreements be collateralized only by securities authorized in this Policy:
  a. The securities which collateralize the repurchase agreement shall be priced at market value, including any accrued interest plus a margin. The market value

of the securities that underlie a repurchase agreement shall be valued at 102% or greater of the funds borrowed against those securities.

b. Financial institutions shall mark the value of the collateral to market at least monthly and increase or decrease the collateral to satisfy the ratio requirement described above.
c. The City shall receive monthly statements of collateral.

12~~1~~. MATURITY

The City shall not make any investments in instruments with a stated remaining maturity that exceeds five years at the time of purchase.

The maturity of investment instruments in the portfolio shall be consistent with projected cash requirements.

It is the City's intent, at the time of purchase, to hold the majority of investments until maturity to ensure the return of all invested principal dollars. However, it is realized that market prices of securities will vary depending on economic and interest rate conditions at any point in time. As a result, the City may choose to sell a security short of final maturity to realize a capital gain if it is to the City's economic advantage to do so. It is further recognized, that in a well-diversified portfolio, occasional measured losses are inevitable due to economic, bond market or individual security credit analysis. These occasional losses must be considered within the context of the overall investment program objectives and the resultant long-term rate of return.

13~~2~~. LIQUIDITY

In maintaining sufficient liquidity in the City’s portfolio, maturities shall be selected to mature prior to or match the timing of the City's projected cash flow needs. It is intended that a liquidity base equal to forecasted cash flow needs for six months should be maintained. Additionally, the marketability of a security shall be important criteria in selecting an investment.

~~13~~14. DIVERSIFICATION

The City shall diversify its investments by security type, institution, and maturity date to mitigate credit risk in the portfolio.

Credit Risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City shall mitigate credit risk by adopting the following strategies:

- The diversification requirements included in this section are designed to mitigate credit risk in the portfolio.

- No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.
- The City may elect to sell a security prior to its maturity and record a capital gain or loss in order to improve the quality, liquidity or yield of the portfolio in response to market conditions or the City's risk preferences.
- If securities owned by the City are downgraded by a Nationally Recognized Statistical Rating Organization (NRSRO) to a level below the quality required by the Policy, it shall be the City's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. Moody's, Standard and Poor's, and Fitch are currently used as the NRSRO.
  a. If a security is downgraded below the level required by the Policy, the Finance Director will use discretion in determining whether to sell or hold the security based on its current maturity, the loss in value, the economic outlook for the issuer, and other relevant factors.
  b. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored and reported monthly to the City Council.

~~14~~15. REPORTING

The Finance Director shall file a monthly investment report with the City Council which provides a clear picture of the status of current investments. The investment report may include comments on the fixed income markets and economic conditions, discussions regarding restrictions on percentages of investments by category, possible changes in the portfolio structure and significant changes to investment strategies. The monthly investment report filed with the City Council will contain the following:

- Percentages of the portfolio represented by each investment category.
- An investment inventory including types and amounts of investments, issuing financial institutions and maturities.
- A list of all investment transactions that occurred during the reporting month.
- Investments or programs under the management of contracted parties.
- Average maturity of the portfolio.
- Average total yield to maturity of the portfolio relative to the prescribed benchmarks.
- Current market value of investments with maturities of more than 12 months.
- A statement denoting that the investment portfolio has sufficient liquidity to meet the City's anticipated expenditure requirements for the upcoming six months.
- Percent of portfolio invested by type of instrument.
- Written explanations for any variations to the Policy.

~~15~~16. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The City's yield benchmark shall be the 24-month trailing average yield of the 2-year Constant Maturity Treasury (CMT).

17~~6~~. INTERNAL CONTROLS

Internal controls shall be established and maintained to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees and officers of the City.

Controls deemed most important include: segregation of duties, separation of transaction authority from accounting and record keeping, custodial safekeeping, clear delegation of authority, specific limitations regarding securities losses and remedial action, control over wire transfers, minimizing the number of authorized investment officials and documentation of transactions and strategies.

The Finance Director shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with the policies and procedures set forth in this document.

18. INVESTMENT POLICY ADOPTION

The City of Garden Grove's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed annually by the City Council and any modifications made thereto must be approved by the City Council.

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GLOSSARY

ACCRUED INTEREST – Interest earned but not yet received.

AGENCIES – Agencies of the Federal government set up to supply credit to various classes of institutions (e.g., S&L's, small business firms, students, farmers, housing agencies, etc.). Examples include Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB).

BANKERS' ACCEPTANCE (BA) – A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the issuer.

BROKER/DEALER – An individual or firm acting as principal in a securities transaction.

CALLABLES – Securities that the issuer has the right to redeem prior to maturity.

CERTIFICATE OF DEPOSIT (CD) – A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

COLLATERAL – Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER – Short term unsecured promissory note issued by a corporation (including limited liability companies) to raise working capital. These negotiable instruments are purchased at a discount to par value or at par value with interest bearing. Commercial paper is issued by corporations such as General Motors Acceptance Corporation, IBM, Bank of America, etc.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) – The official annual report of the City. It includes five combined statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP). It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON – a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value; b) a certificate attached to a bond evidencing interest due on a payment date.

DELIVERY VS PAYMENT – Delivery of securities with a simultaneous exchange of money.

DEMAND ACCOUNT – An account with a commercial bank from which check withdrawals may be made at any time.

DISCOUNT – The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DIVERSIFICATION – Dividing investment funds among a variety of securities offering independent returns.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) – A Federal agency that insures bank deposits in the United States against bank failure. The standard deposit insurance coverage limit is $250,000 per depositor, per FDIC-insured bank, per ownership category.

FEDERAL HOME LOAN BANKS (FHLB) – The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-à-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) – FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

LIQUIDITY – A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value.

LOCAL AGENCY INVESTMENT FUND (LAIF) – The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE – The price at which a security is trading, usually the liquidation value.

MATURITY – The date upon which the principal or stated value of an investment becomes due and payable.

PAPER GAIN OR LOSS – Term used for unrealized gain or loss on securities being held in a portfolio based on comparison of current market quotes and their original cost. This situation exists as long as the security is held while there is a difference between cost value (book value) and the market value.

PORTFOLIO – Collection of securities held by an investor.

PRUDENT PERSON RULE – An investment standard. In some states, the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called "legal list." In other states, the trustee may invest in a security if it is one that would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

RATE OF RETURN – The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond, the current income return.

REPURCHASE AGREEMENT (REPO) – A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate them for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO) – A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specific date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING – The service provided by banks and trust companies for clients when the bank or trust company stores the securities, takes in coupon payments, and redeems issues at maturity.

SPREAD – a) The yield or price difference between the bid and offer on an issue; b) the yield or price difference between different issues.

TREASURY BILLS – A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

TREASURY BONDS – U.S. Treasury securities that have initial maturities of more than ten years.

TREASURY NOTES – Intermediate-term coupon bearing U.S. Treasury securities having initial maturities of from one year to ten years.

TRUSTEE – A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

YIELD – The rate of annual income return on an investment, expressed as a percentage. (a) Income Yield is obtained by dividing the current dollar income by the current market price for the security. (b) Net Yield or Yield to Maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

YIELD CURVE – Yield calculations of various maturities at a given time to observe spread difference.

YIELD TO MATURITY – The current coupon yield minus any premium above par, or plus any discount from par in the purchase price with the adjustment spread over the period from date of purchase to maturity.

Attachment 1 – Allowable Investments

ALLOWABLE INVESTMENTS*						
	CITY POLICY LIMITS			STATE CODE LIMITS		
Instrument	***Diversification***	***Term***	***Quality***	***Diversification***	***Term***	***Quality***
Bankers Acceptances	Not to exceed 25% in any one institution; Not to exceed 20% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System	Not to exceed 30% in any one institution; May not exceed 40% of portfolio	Not to exceed 180 days	Eligible for purchase by the Federal Reserve System
Bonds issued by the City, including Bonds payable solely out of revenue from a revenue producing property owned, controlled or operated by the City	Not to exceed 25% of the portfolio for combined municipal debt	Not to exceed 5 years	"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness of any local agency within California, or state warrants, or Treasury Notes or Bonds of California	Not to exceed 25% of the portfolio for combined municipal debt	Not to exceed 5 years	"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Bonds, Notes or other evidence of indebtedness in any of the other 49 states, in addition to California	Not to exceed 25% of the portfolio for combined municipal debt	Not to exceed 5 years	"A" or better ranking by nationally recognized rating services	No limit	Not to exceed 5 years	
Commercial Paper	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer's outstanding paper	Not to exceed 270 days	"A1/P1" rating for issuer's Commercial Paper; "A2/A" or higher rating on long-term debt; US domiciled corporations with assets greater than $500 million	Not to exceed 25% of Portfolio; May not represent more than 10% of issuer's outstanding paper	Not to exceed 270 days	Prime quality with the highest letter/number rating and "A" or higher rating on the issuer's long-term debt; US domiciled corporations with assets greater than $500 million

ALLOWABLE INVESTMENTS*						
	CITY POLICY LIMITS			STATE CODE LIMITS		
Instrument	***Diversification***	***Term***	***Quality***	***Diversification***	***Term***	***Quality***
Discount Notes or Notes issued by agencies of the Federal Government	May not exceed 75% of Portfolio	Not to exceed 5 years		No limit	Not to exceed 5 years	
Diversified Management Companies, as defined by Section 53601(l) of the Government Code	Not to exceed 10% of Portfolio	N/A	Highest ranking by not less than 2 of the 3 largest rating services; Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than $500 million	Not to exceed 20% of Portfolio; Not more than 10% of Portfolio in one fund	N/A	Highest ranking by not less than 2 of the 3 largest rating services; Have an SEC registered investment advisor with more than 5 years of experience and assets under management greater than $500 million
Financial Futures and Financial Option Contracts	Not authorized			Pursuant to Section 53601	Not to exceed 5 years	Pursuant to Section 53601
Medium-Term Notes issued by Corporations	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by nationally recognized rating service US domiciled corporations or US licensed depository	Not to exceed 30% of Portfolio	Not to exceed 5 years	"A" or better ranking by a nationally recognized rating service US domiciled corporations or US licensed depository
Mortgage-backed Pass-Through Securities Collateralized Mortgage Obligations and Asset –Backed Securities	Not to exceed 20% of investing agency's surplus	Not to exceed 5 years	"A" or higher for issuer debt; must be rated "AA" or higher, by nationally recognized rating service	Not to exceed 20% of investing agency's surplus	Not to exceed 5 years	"A" or higher for issuer debt; must be rated "AA" or higher, by nationally recognized rating service

ALLOWABLE INVESTMENTS*						
	CITY POLICY LIMITS			STATE CODE LIMITS		
Instrument	***Diversification***	***Term***	***Quality***	***Diversification***	***Term***	***Quality***
Negotiable Certificates of Deposit issued by a Nationally or State Chartered Bank, a Federal Association, or a State Licensed Branch of a Foreign Owned Bank (Insured by Federal Government)	Not to exceed 20% of Portfolio May not exceed shareholder's equity of issuing bank or net worth of issuing S & L or Federal Association	Not to exceed 3 years	Bank or Savings & Loans with "A1/P1" or better short term debt rating and "A2/A" or better long-term debt rating	Not to exceed 30% of Portfolio May not exceed shareholder's equity of issuing bank or net worth of issuing S & L or Federal Association	Not to exceed 5 years	Not specified
Repurchase Agreements	Not to exceed 10% of Portfolio	Not to exceed 14 days	Collateral of 102% or greater with securities permitted in the Policy	None	Not to exceed 1 year	Authorized Collateral of 102% or greater
Reverse Repurchase Agreements	Not authorized			None	Not to exceed 1 year	Extensive conditions listed in Section 53601 (i)
Supranationals	Not to exceed 20% of Portfolio	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC	Not to exceed 30% of Portfolio	Not to exceed 5 years	"AA" or better ranking by a nationally recognized rating service Washington, D.C. based issuers: IADB, IBRD, and IFC
State of California Local Agency Investment Fund (LAIF) or other Local Government Investment Pools established by public entities	Limit set by LAIF	N/A	Instruments consistent with State Code	No requirement	N/A	
United States Treasury Notes, Bonds, Bills, or other certificates of indebtedness backed by the US Government	No limit	Not to exceed 5 years		No limit	Not to exceed 5 years	

ALLOWABLE INVESTMENTS*						
	CITY POLICY LIMITS			STATE CODE LIMITS		
Instrument	***Diversification***	***Term***	***Quality***	***Diversification***	***Term***	***Quality***
Zero Coupon Bonds	Not authorized			Not specified		

** No more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US government, its agencies and instrumentalities.*